



**AUSTIN CITY COUNCIL
MINUTES**

**WORK SESSION MEETING
TUESDAY, APRIL 17, 2012**

The City Council of Austin, Texas convened in a Special Called Meeting on Tuesday, April 17, 2012, City Hall at 301 W. Second Street, Austin, Texas.

Mayor Leffingwell called the meeting to order at 9:10 a.m. Mayor Pro Tem Cole was absent.

1. Discussion and possible preliminary direction to staff regarding prior work session topics concerning Austin Energy revenue requirements: financial policies governing debt service coverage ratio, capital projects debt-to-equity ratio, reserve funds, and interim revenue options; general fund transfer levels and calculation methodology, other transfers, and payments for shared services; distributed generation and energy efficiency goals, and the design and funding of low-income electric customer assistance programs; and budget reduction options, line extension and new service policies, and revenue regulation and decoupling.

Presentation was made by Larry Weis, General Manager, Ann Little, Vice President of Finance and Corporate Services, and Andy Perny, Attorney, Austin Energy, to give Council an opportunity to provide direction on the following topics:

Cash flow methodology -- no decision was made. Council would like to continue researching this topic.

Debt Equity Ratio – The following motion was approved on Council Member Morrison's motion, Council Member Tovo's second on a 6-0 vote. Mayor Leffingwell was off the dais. The motion was that Council would take preliminary action to consider a change to the debt equity ratio for the rate case to 60/40 in the short term to maximize the debt portion but reconsider long term going back to 50/50. This includes changing the long term cash portion for construction project that is currently listed as \$111 million in the rate calculations. It also includes doing the calculations necessary to increase the reserves to maintain Austin Energy's bond rating.

Reserve Policies – Replenishment schedule in Revenue Requirements – The following motion was approved on Council Member Morrison's motion, Council Member Spelman's second on a 4-0 vote. Mayor Leffingwell and Council Members Martinez and Spelman were off the dais. The motion was in the interest of looking to mitigate the rate increase and delaying the future costs on current customers, and within the flexibility of our current policies, that Council would look at the possibilities of the following:

- o Impact to the reserve requirements if we increase the replenishment term to five years;
- o Modify the target for the rate stabilization to 60 days instead of 90 days;
- o Consider the target for the repair and replacement fund to be 20% and alternatively 35% of depreciation expenses instead of 50%.

Rate Stabilization Fund –The following motion was approved on Council Member Tovo's motion, Council Member Morrison's second on a 4-0 vote. The motion was to have Council consider alternatives for removing the rate stabilization reserve from consideration at this time.

General Fund Transfer Policy – There was no discussion.

Energy Efficiency – There was no discussion.

Scope of Customer Assistance Program coverage – There was no discussion.

2. Discussion regarding Austin Energy's 2011 audited finances, off-system wholesale power sales in the nodal market, connection and disconnection fees, and Austin Energy revenue requirements not addressed in prior work sessions.
There was no discussion.
3. Discussion and possible action regarding amendments to the rate work session schedule and topics.
There was no discussion.

Mayor Pro Tem Cole adjourned the Council Meeting at 11:57 a.m. without objection.

The minutes for the work session of April 17, 2012 were approved on this the 24th day of May 2012 on Council Member Morrison's motion, Council Member Spelman's second on a 7-0 vote